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Protecting the Midwest's Environment and Natural Heritage

SREC Procurement for < 25 kW systems: Options for Discussion

IPA Workshop #2

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IPA Act creates special carve-out for systems < 25 kW



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“To the extent available, half of the renewable energy resources procured from distributed renewable energy generation shall come from devices of less than 25 kilowatts in nameplate capacity.”

20 ILCS 3855/1-56(b)

20 ILCS 3855/1-75(c)

Market for <25 kW systems is strong in states with supportive policies.

If we build it, they will come.

- 297 MW of residential solar systems were installed in 2011, 262 MW in 2010. Much higher numbers for commercial systems, some of which are under 25kW.
- Growth is concentrated in the states with supportive policy: rebates, and attractive selling opportunities for solar production and/or SRECs.

How can Illinois design a successful procurement for the < 25 kW market?

- (1) What are the challenges?
- (2) How have other jurisdictions addressed these challenges?
- (3) How could this be accomplished in Illinois?



(1) What are the challenges?

- “Chicken & Egg” – Sell first, then bid? Bid first, then sell?
- Larger number of projects means more transaction costs
- Costs and complexity of participating in an auction are high
- Smaller stakes, less payoff
- Smaller companies, fewer resources

(2) How have other jurisdictions addressed these challenges?



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- Many have developed **standard offer contracts** or other mechanisms to increase transparency and reduce risk.
 - transparent prices
 - long-term contracts
 - simple terms and conditions
- Examples:
 - (1) Administratively set price with declining steps
e.g. California Solar Initiative
 - (2) Administratively set price with market-driven price adjustment mechanism
e.g. Consumers Energy (MI)
 - (3) Competitively derived price – *new model*

(3) How could this be accomplished in Illinois?



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- Length and terms of contracts?
- Who are the counterparties? / Role of aggregators?
- Sequence and timing of procurement?
- How are prices established?
- How do these prices adjust over time?

Conclusions



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- < 25 kW market is strong and growing in states with good policy and programs.
- Important to maximize transparency, minimize risk, and tailor program to market conditions and participants.
- Stakeholders / IPA should look to best practices in other states and think creatively and flexibly.



Role of aggregators

In order to minimize the administrative burden on contracting entities, the Agency shall solicit the use of third-party organizations to aggregate distributed renewable energy into groups of no less than one megawatt in installed capacity. These third-party organizations shall administer contracts with individual distributed renewable energy generation device owners.
[20 ILCS 3855/1-56(b)]